

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2146-01
Bill No.: Perfected HB 1045
Subject: Corporations; Fees; Secretary of State
Type: Original
Date: March 15, 2017

Bill Summary: This proposal extends the sunset provisions for fees to be credited to the Technology Trust Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Technology Trust Fund	\$1,461,896	\$3,035,188	\$3,150,829
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,461,896	\$3,035,188	\$3,150,829

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal from 2017 (SB 348), officials at the **Office of the Secretary of State (SOS)** affirmed the Technology Trust Fund supports the SOS IT Division in supplying updated servers, computers, paying vendors for system support and providing updated technology for the office.

Since go-live of the current corporate filing system in June 2014, there has not been a year-on-year decrease in Technology Fund deposits. The monies deposited into the Technology Fund for FY 2013 through FY 2016 are as follows:

FY 2013 = \$2,428,598
FY 2014 = \$2,420,388
FY 2015 = \$2,516,135
FY 2016 = \$2,713,114

The last three fiscal years (FY 2014, FY 2015 and FY 2016) were used to determine an increase/decrease between the years. The average was then calculated and applied to get the estimated Technology Fund deposits for FY 2018, FY 2019, and FY 2020.

Percentage of Increase/Decrease between Fiscal Years

FY 2014 - FY 2013 = Increase/Decrease
 $\$2,420,388 - \$2,428,598 = -\$8,570$
 $-\$8,570 / \$2,428,598 * 100 = -.33\%$ decrease FY 2014

FY 2015 - FY 2014 = Increase/Decrease
 $\$2,516,135 - \$2,420,388 = \$95,747$
 $\$95,747 / \$2,420,388 * 100 = 3.95\%$ increase FY 2015

ASSUMPTION (continued)

FY 2016 - FY 2015 = Increase/Decrease
 $\$2,713,114 - \$2,516,135 = \$196,979$
 $\$196,979 / \$2,516,135 = 7.82\%$ increase FY 2016

FY 2017 - FY 2016 = Increase/Decrease (FY 2017 is being estimated with the yearly average in order to find FY 2018's total loss)
 $\$2,713,114 * .0381 = \$103,369.64$
 $\$2,713,114 + \$103,369.64 = \$2,816,483.64$ FY 2017 estimate Technology Fund deposit

Average

Change percentages to a decimal (percentage / 100)
FY 2014 = $.33\% / 100 = -.0033$
FY 2015 = $3.95\% / 100 = .0395$
FY 2016 = $7.82\% / 100 = .0782$

$-.0033 + .0395 + .0782 / 3 = .0381$
 $.0381 * 100 = 3.81\%$ average yearly increase

FY 2018 (6 months is used for the estimated deposit for 1/2018 to 6/2018)
FY 2017 * 3.81% = $\$2,816,483.64 * .0381 = \$107,308.02$
 $\$2,816,483.64 + \$107,308.02 = \$2,923,791.66$
 $\$2,923,791.66 / 12 \text{ months} = \$243,649.31$ monthly deposit
 $\$243,649.31 * 6 \text{ months} = \$1,461,895.86$ estimated Technology Fund deposit FY 2018

FY 2019
FY 2018 * 3.81% = $\$2,923,791.66 * .0381 = \$111,396.46$
 $\$2,923,791.66 + \$111,396.46 = \$3,035,188.12$ estimated Technology Fund deposit FY 2019

FY 2020
FY 2019 * 3.81% = $\$3,035,188.12 * .0381 = \$115,640.67$
 $\$3,035,188.12 + \$115,640.67 = \$3,150,828.79$ estimated Technology Fund deposit FY 2020

As of November 2016, the Technology Trust Fund has a balance of \$4,658,660.45.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
TECHNOLOGY TRUST FUND			
Revenue - SOS - fees from extension of sunset from 12/31/17 to 12/31/25	<u>\$1,461,896</u>	<u>\$3,035,188</u>	<u>\$3,150,829</u>
ESTIMATED NET EFFECT ON THE TECHNOLOGY TRUST FUND	<u>\$1,461,896</u>	<u>\$3,035,188</u>	<u>\$3,150,829</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2018 (10 Mo.)	 FY 2019	 FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

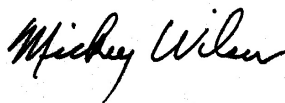
FISCAL DESCRIPTION

This bill extends the sunset provisions for the depositing of fees into the state's technology trust fund from December 31, 2017 to December 31, 2025.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State



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